

ALLEGHANY COUNTY
County Manager's Fiscal Year 2009-2010
Budget Message

June 1, 2009

Alleghany County Commissioners,

As you are keenly aware, Alleghany County along with the rest of the nation is in a recession. This recession has increased unemployment, lowered retail sales and has dramatically slowed down our local construction industry. The lack of growth and lowered retail sales has in return significantly reduced some of Alleghany County's major revenue sources. Although there are many private and governmental entities working diligently to help move our Country out of a recession, all information at this point indicates that a recovery will not completely occur within the FY 09-10 budget year.

In order to be prepared for the forecasted slow recovery, I am proposing to significantly reduce the Alleghany County's 2009-10 General Fund Annual Budget to \$13,654,448. This proposal constitutes an approximate decrease of -11.4 % (-\$1,756,871) under the FY 08-09 amended budget. The -\$1,756,871 decrease is somewhat misleading when one takes a closer look at the actual reductions. The majority of the reductions, -\$1,126,871 or -7.3%, would have occurred in any economic condition. Some major examples include:

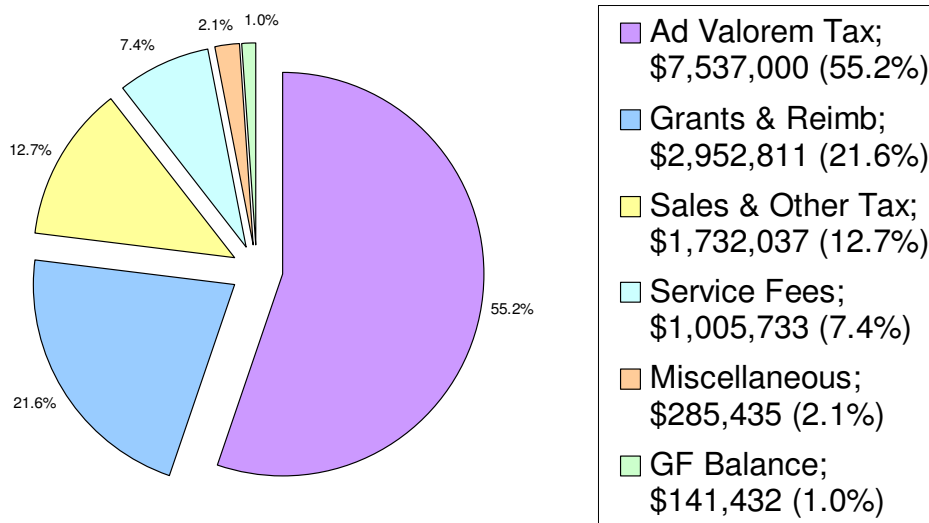
1. Public Assistance was reduced by -\$517,089 due to the State assuming Medicaid costs. The swap also included giving some sales tax revenue back to the State
2. Daycare supplement has been reduced by -\$93,687.
3. Debt service payments have reduced by -\$125,274.
4. There are -\$324,000 of reductions in the Special Appropriations category that are related to a \$275,000 transfer to the newly created Safety Fund and deed stamp/ROD transfers as mandated by the State.
5. The amount mandated to the schools for capital was reduced by -\$47,505 due to the decline in sales tax revenue.
6. Other general reductions in the amount of -\$19,316 that are outside the County's control.

Actual reductions to County operations under the FY 08-09 amended budget total approximately -\$630,000 or -4.1%. These proposed reductions will be further examined later in this budget summary.

The proposed budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act, presenting revenues by source and appropriations by categories of expense for each department. All proposals within this document are based upon a budget maintaining the existing tax rate of \$0.43.

REVENUE HIGHLIGHTS

Counties rely on many revenue sources to fund their initiatives. Alleghany County's main revenue categories are ad valorem taxes, grants & reimbursements, sales & other taxes, service fees, miscellaneous and general fund balance appropriation. The County Commissioners have direct control over ad valorem taxes and some service fees while economic conditions and local/state initiatives determine the other revenues. The following pie chart illustrates Alleghany County's proposed Revenues By Source

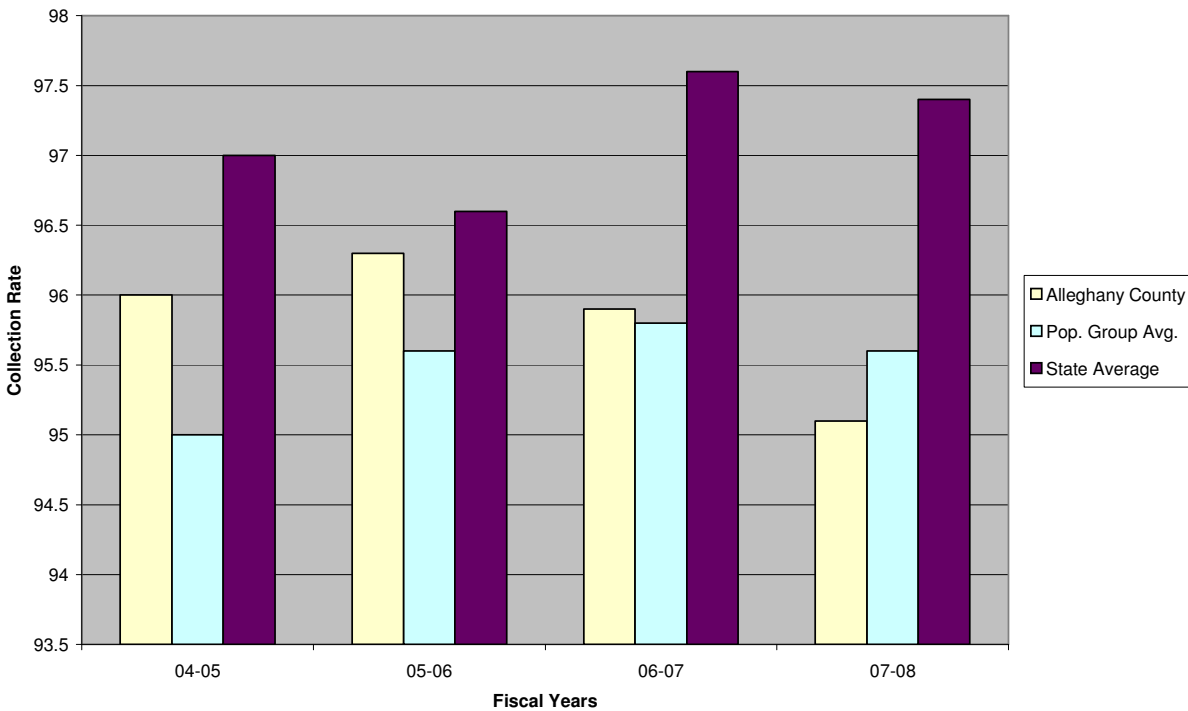


AD VALOREM TAXES

Approximately 55.2% (\$7,537,000) of the County's budget is proposed to be funded by the property tax. The proposed \$7,537,000 is comprised of \$7,264,000 from FY 09-10 property taxes, \$210,000 from prior year taxes and \$63,000 from penalties/interests on late payments.

The taxable base is projected to be \$1,776,529,946. State law dictates that a County can utilize at a maximum the last audited collection rate when estimating future tax collections. Alleghany County's Fiscal Year 07/08 audited collection rate is 95.09%. Therefore it is recommended that a 95.09% collection rate be applied when estimating property tax revenues. The following graph illustrates that Alleghany County's collection rates have been consistently around 96% until last year where it fell to almost 1% to 95.09%. The graph also shows Alleghany County's collection rates in comparison to the average collection rates throughout the State.

ANALYSIS OF PROPERTY TAX COLLECTION RATES



GRANTS AND REIMBURSEMENTS

Grants and reimbursements account for approximately 21.6% (\$2,952,811) of the County's proposed revenues. There are several major changes or issues dealing with this category. The major changes/issues are as follows:

1. \$49,630 in grant funds have been budgeted for the Criminal Justice Partnership Program and \$60,700 in grant funds have been budgeted for the Juvenile Crime Prevention Council. Both the CJPP and JCPC programs are currently being reviewed by the State and may be reduced or eliminated.
2. \$536,115 has been budgeted for the Child Development Administration (daycare subsidy). This is down -\$93,687 (-\$70,687 from the State and -\$23,000 from the County's one-time appropriation) from this fiscal year.
3. Both the NC Senate and House budgets have taken the portion of corporate income taxes (commonly known as ADM) normally set aside for School construction. Alleghany County has been dependent on these funds to offset the building costs associated with Sparta School and the new school bus garage. This is over a \$100,000 a year loss to Alleghany County in which we were depending on \$92,500 to offset already committed debt obligations.

Other major reimbursement/grant highlights include \$1,336,619 in DSS administration reimbursements, \$130,000 in Medicaid hold harmless payments, \$126,236 (85% of costs) for the administration of the Transportation System and \$125,000 reimbursement from the Board of Education to offset Sparta School Debt.

This category also includes revenue items such as other reimbursements for Social Services, Veteran's Administration, Emergency Management, Soil & Water, Council on Aging, NW Library, Roaring Gap deputies, dispatch salary, pin equipment, gas reimbursements and all transfers from other funds.

SALES & OTHER TAXES

Sales and other taxes account for approximately 12.7% (\$1,732,037) of the County's proposed revenues. Alleghany County receives tax revenues from the occupancy tax, the beer/wine tax, the ABC liquor tax, cable franchise tax and sales taxes Article 39 (1 cent), Article 40 (1/2 cent), Article 42 (1/2 cent) and Article 44 (1/2 cent).

The occupancy tax, the beer/wine tax and the cable franchise tax are projected to realize slight increases for FY 09-10 while the ABC liquor tax will see a slight decline.

The State will assume all of Article 44 sales tax beginning October 1, 2009 in exchange for the State completely taking over Medicaid costs effective July 1, 2009. I am projecting that Alleghany County will receive up to \$30,000 in Article 44 revenues for the 1st three months of FY 09-10. The Medicaid relief deal will also require the Counties to hold the Cities harmless from losing these revenues. This hold harmless clause will be accomplished through withholding some of Article 39 sales tax revenues and distributing these revenues to the Towns. At this point the hold harmless amount as determined by the North Carolina Association of County Commissioners is approximately -\$78,162.

Article 39 is a 1 cent sales tax revenue that is determined by the amount of sales generated directly in Alleghany County (point of delivery). Alleghany County has seen a dramatic reduction in these sales tax receipts. It is projected that FY 08-09 actual receipts will be at least -20.3% less than FY 07-08 actual receipts (\$830,136 - \$661,510 = -\$168,626). Alleghany County utilized Article 39 receipts to hold the Town of Sparta harmless in FY 08-09 from the Medicaid swap. When you factor out this hold harmless provision, Article 39 receipts are projected to decrease in FY 08-09 by at least -17.17% to \$687,486 under FY 07-08. I have projected that Article 39 sales tax will decrease by at least another -1% in FY 09-10 to an amount of \$680,611. Once the -\$78,162 is taken out to hold the Town of Sparta harmless, then total receipts projected in Article 39 for FY 09-10 is \$602,449.

Article 42 is a 1/2 cent sales tax revenue that traditionally has been based on Statewide sales and distributed to the Counties based on population. It is projected that FY 08-09 receipts will at least be -7.92% (\$620,154 - \$571,022 = -\$49,132) less than FY 07-08 actual receipts. The distribution method for Article 42 will change in FY 09-10 due to the Medicaid swap deal. The 1st three months of FY 09-10 will be distributed to Counties based on Statewide sales and distributed to Counties based on population. The remaining nine months will be based on sales generated in Alleghany County (point of delivery). When estimating Article 42's FY 09-10 revenue, I have projected a -1% decrease on the first three months of Article 42's FY 08-09 distributions and a -1% decrease based on 1/2 of the last nine months of Article 39's FY 08-09 distributions. The projected revenue for Article 42 in FY 09-10 is \$390,621.

Article 40 is a ½ cent sales tax revenue that is based on Statewide sales and distributed to the Counties based on population. Article 40 is the only sales tax that is not part of the Medicaid swap deal. It is projected that FY 08-09 receipts will at least be -8.05% (\$623,936 - \$573,704 = -\$50,232) less than FY 07-08 actual receipts. FY 09-10 revenues are projected to decrease at least -1% from FY 08-09 to \$567,967.

The Medicaid swap also requires the Counties to hold schools harmless in regards to their capital budgets. As you may recall, State law mandates that 30% of Article 40 and 60% of Article 42 be given to the Schools for capital needs. As you can see from the above numbers, Article 42 receipts have dramatically decreased due to the change in distribution methods. In order to hold the Alleghany Schools harmless as required, their required distribution will be determined by calculating 90% of Article 40 the versus previous method. The following table summarizes projected sales tax losses over a three year period due to the economy and how the Medicaid swap has helped cover these losses.

Category	FY 07-08	FY 08-09	FY 09-10	TOTAL
	actual	projected	projected	
Article 39	\$830,136	\$661,510	\$602,449	
Tax loss		-\$168,626	-\$59,061	-\$227,687
Article 40	\$623,936	\$573,704	\$567,967	
Tax Loss		-\$50,232	-\$5,737	-\$55,969
Article 42	\$620,154	\$571,022	\$390,621	
Tax Loss		-\$49,132	-\$180,401	-\$229,533
Article 44	\$445,697	\$212,119	\$30,000	
Tax Loss		-\$233,578	-\$182,119	-\$415,697
Tax Loss Sub -Total	0	-\$501,568	-\$427,318	-\$928,886
ADM Harmless	-\$55,640			-\$55,640
School Cap. Harmless			-\$106,408	-\$106,408
Harmless Sub-Total	-\$55,640	0	-\$106,408	-\$162,048
Medicaid Savings		\$350,000	\$545,523	\$895,523
Medicaid Harmless	\$399,227	\$165,500	\$130,000	\$694,727
Med. Sub Total	\$399,227	\$515,500	\$675,523	\$1,590,250
GRAND TOTAL SAVE	\$343,587	\$13,932	\$141,797	\$499,316

Originally the Medicaid swap was to net the County a savings of \$500,000 per year. But do to the economy, Alleghany County has realized about 1/3 of the original plan. Overall the Medicaid swap has been good for Alleghany County and is one of the major reasons that no cuts were needed in the current Fiscal Year 08-09.

SERVICE FEES

Service fees account for approximately 7.4% (\$1,005,733) of the County's proposed revenues. There are several areas that need highlighting within this category.

The dramatic slow down in our local real estate and construction industry has also greatly impacted the Register of Deeds service fees/deed stamps and building inspection fees. The ROD service fees/deed stamp revenues are proposed to be reduced by -\$131,650 or -46.4%. Building inspections receipts are proposed to be reduced by -\$66,000 or -50.8%. These fees have been reduced from previously budgeted amounts to reflect actual projected receipts in FY 08-09.

EMS receipts are projected to be \$337,000 in FY 08-09. This is \$97,000 above the budgeted amount of \$240,000. These additional funds are another major reason why no reductions were needed in the current FY 08-09. The major reason for these additional funds is that EMS administration was able to catch up on back billing from the prior year. Since the billing is up to date, these additional funds cannot be counted on for FY 09-10. The proposed revenue for EMS services in FY 09-10 is \$250,000 which represents a \$10,000 or 4.2% increase over the FY 08-09 budget amount of \$240,000.

The Boarding of Federal Prisoners revenue for the current FY 08-09 is projected to be \$485,055. This is \$155,055 more than the budgeted \$330,000. The additional \$155,055 equates to approximately \$80,000 in additional revenues to the County when the costs of housing these inmates is taken out. These additional funds were also another major reason why no reductions were needed in the current FY 08-09. The proposed revenue for Federal inmates in FY 09-10 is \$380,000. This is \$50,000 or 15% more than the FY 08-09 budget amount of \$330,000 but less than actual receipts. These revenues can vary greatly each year since Alleghany County does not have a guaranteed contract the Federal Government. In the past three years these revenues have ranged from \$279,000 to \$485,000. As you may recall, the Board of Commissioners funded a rate study that gave Sheriff Edwards the ability to formally request a rate increase from the Federal Government. If the rate increase request is granted, then this revenue should be increased.

Other revenues included in this category are line items such as recreational fees, planning permit fees, fire inspection fees, County beer & wine fees, court fees, boarding of local & out of County prisoners, jail telephone fees, all Sheriff Department fees, sod seeder rental fees and Town of Sparta tax collection fees. All of these fees will remain relatively constant.

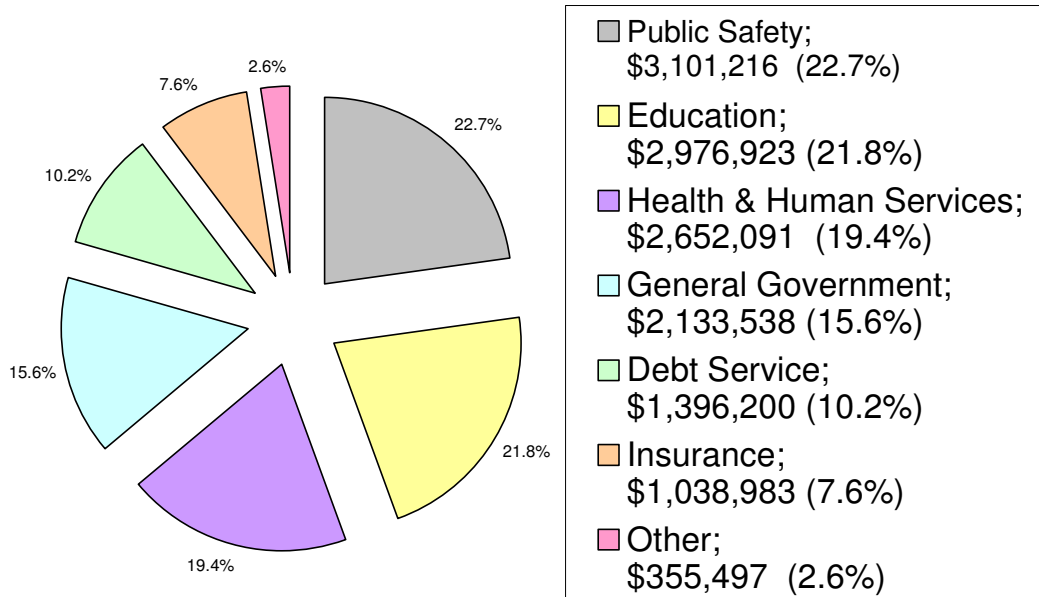
MISCELLANEOUS & GENERAL FUND BALANCE APPROPRIATION

Miscellaneous revenues account for approximately 2.1% (\$285,435) of the County's proposed revenues. These revenues include interest earned on investments, lottery proceeds, CSC fines and forts, miscellaneous revenues, snack revenues and the kids vote program. Interest on investments has been reduced by -\$95,000 or -51.4% to \$90,000 from FY 08-09 budget amount of \$185,000. I have budgeted \$100,000 in the lottery proceeds revenue line item even though the State has taken some of the lottery proceeds this current FY 08-09. All other revenues will remain fairly constant. Fund balance appropriation accounts for approximately 1% (\$141,432) of the proposed revenues.

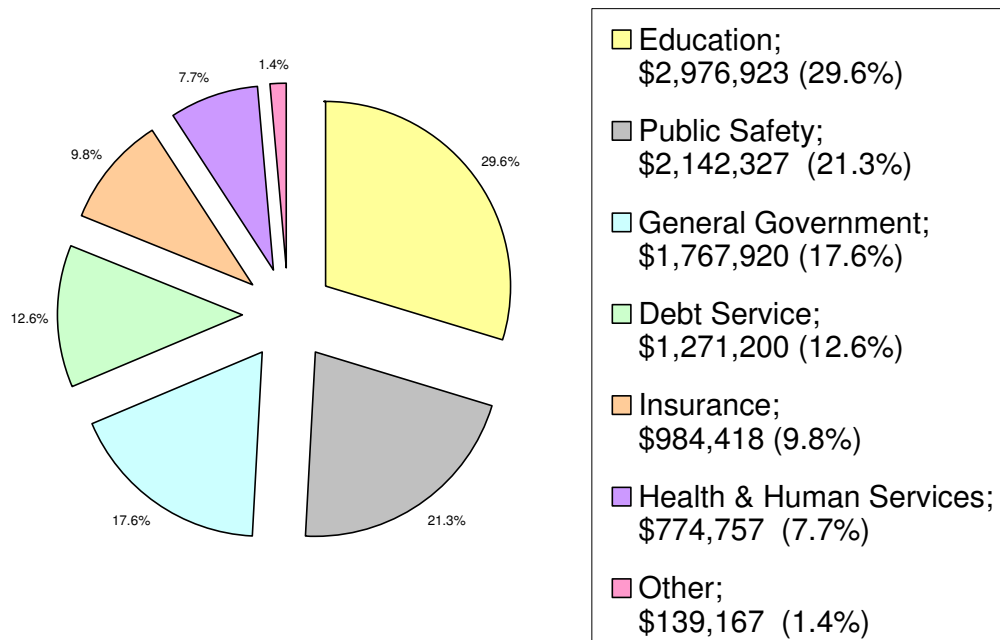
EXPENDITURES HIGHLIGHTS

The following pie charts illustrate Alleghany County's "Total Expenditures By Function" and "Property Tax, Sales Tax and Undesignated Revenues Expended By Function".

Total Expenditures By Function



Property Tax, Sales Tax, Undesignated Revenues Expended By Function



The “Property Tax, Sales Tax, Undesignated Revenues Expended By Function” chart is derived from the “Total Expenditures By Function” chart by removing the grants, reimbursements and other revenues from the corresponding expenditures. This portrays an accurate example of where the County’s property tax, sales tax and undesignated revenue dollars are actually being expended.

CATEGORICAL OVERVIEW

As stated at the beginning of this budget summary, actual reductions to County operations under the FY 08-09 amended budget totals approximately -\$630,000 or -4.1%. Although an overall -4.1% reduction in a County’s budget seems minor, reality is that this type of reduction is very extensive when examined closer. Twenty-five percent of Alleghany County’s overall budget is mandated or obligated to the point that not one dollar can be removed. This means that an overall -4.1% budget reduction equates to a -5.5% reduction to the remaining seventy-five percent of the budget. Fifty-four percent of Alleghany County’s overall budget is primarily mandated or primarily obligated. It is debatable in this category to what extent each item is primarily mandated or primarily obligated. But for discussions let’s estimate that a conservative eighty percent of primarily mandated/obligated items are truly mandated or obligated. By simply multiplying 54% by 80%, we now know that an additional 43% of the overall budget cannot be reduced. We also now know that at least 68% (25%+43%) of the budget cannot be reduced. In order to reduce the overall budget by -4.1%, the remaining 32% of the overall budget eligible to be reduced must be cut by at least -12.8%.

In order to be as equitable as possible, I have attempted to spread the -\$630,000 reduction to most facets of County government. Unfortunately this involves proposed salary reductions and layoffs, educational reductions and significant reductions to many programs.

PERSONNEL

The proposed FY 09-10 budget makes two significant changes in pay to its employees. The 1st proposal is to impose six days of unpaid furlough to all County employees. It is recommended that the furlough take place during the holidays in order to not interrupt County services. Tying this imposed unpaid furlough to the holidays will also reduce the extra holiday pay distributed to law enforcement, EMS and the landfill. This proposed furlough will reduce salaries by -2.31%. The 2nd proposal is to reduce longevity pay by -50%. Implementing both of these proposals will reduce the County’s payroll by -\$99,219. Actual savings to the County would be -\$83,936 when reducing reimbursements from Social Services and Transportation. There may be some legal issues about reducing longevity and holiday pay. I am currently seeking an opinion on these issues. If the County cannot legally reduce these items, then reducing the overall pay scale by approximately -3% will create the same amount of savings.

The proposed FY 09-10 budget eliminates four positions from payroll. The positions are a DSS Social Worker, Sheriff Deputy, Tax Office Position and a Building Inspector. The removal of these four positions will reduce the County's payroll and insurance by - \$122,677. Actual savings to the County would be -\$102,537 when reducing reimbursements from Social Services.

INSURANCE / RETIREMENT

Alleghany County participates in the NC Association of County Commissioners' Liability and Property, Workers' Compensation and Group Benefits insurance pools. Alleghany County also carries insurance involving employee bonding, inmate hospitalization and unemployment. Alleghany County's overall FY 09-10 insurance is proposed to decrease by -\$62,515 or -5.68% under FY 08-09. The -5.68% reduction in costs includes the removal of four positions. If these four positions were to remain, it is proposed that Alleghany County would still see a -\$40,179 or -3.65 decrease in overall insurance costs. The County will match general employee retirement at 4.92% and law enforcement retirement at 4.86%.

CAPITAL

Although there are capital needs within the County, there is very minimal capital built into the General Fund budget in order to maintain the County's current tax rate. The following table itemizes the proposed FY 09-10 capital purchases.

Department	Description	Total Amount
Public Works	12 Programmable Thermostats \$1,050	\$1,050
Sheriff	Taser \$900	\$3,700
	Stun Cuffs \$875	
	Radio \$800	
	Handgun \$600	
	Body Armor \$525	
	TOTAL	\$4,750

Any emergency capital needs will have to be addressed during the budget year.

CAPITAL IMPROVEMENTS

Alleghany County has some necessary capital improvements recommended to be addressed in FY 09-10. The following table exhibits the recommended General Fund capital improvements.

Location	Description	Total Amount
Courthouse	New Front Doors \$4,000	\$17,972
	Panic Buttons & Side Door Card Access \$13,972	
Maintenance Shop	½ Roof Cost \$1,390	\$1,390
	TOTAL	\$19,362

ALLEGHANY COUNTY BOARD OF EDUCATION

Current Expense

Due to limited funds, the Alleghany Board of Education's FY 09-10 funding is proposed to be decreased by -\$124,926 or -5% below FY 08-09 allocation. The Alleghany County Board of Education is slated to receive \$559,873 in stimulus funding over the next two years. The State legislature is now in session deciding the level of funding Alleghany County schools will receive in FY 09-10. It is unclear at this point exactly how a -5% reduction in local funds will impact the Board of Education.

Capital – School Capital Reserve Fund

State law requires that 30% of the Article 40 ½ cent sales tax and 60% of the Article 42 ½ cent sales tax go to schools for capital. It is also now law that Counties are to hold school systems harmless in regards to the Medicaid swap deal with the State. In order to properly hold the school system harmless, Alleghany County must now calculate its mandated portion of sales tax to the schools using only Article 40. Calculating 90% of Article 40 will meet the County's requirement of holding the schools harmless. It is estimated that the mandated portion that will go to the schools is \$511,171. Adding in the \$7,500 of interest these funds will generate, new funds going to the Schools in FY 09-10 will be \$518,671. Note: This number does not include any rollover funds from the previous year.

SPECIAL APPROPRIATIONS

There are several agencies that operate under the special appropriations category. I have divided these groups into four categories: 1. Grants & Mandates 2. Volunteer Safety 3. Primary Core Functions 4. Secondary Functions.

Grants & Mandates

This category includes the Criminal Justice Partnership Program, Juvenile Crime Prevention Council, occupancy tax transfer, CSC fines & forts, deed stamps, transfer to register of deeds enhancement fund and transfer to re-evaluation fund. Both the CJPP and JCPC programs are mainly funded through grants. As stated earlier, both of these programs are being highly scrutinized by the State and may be eliminated or drastically changed. The remaining items are mandated by law. Although re-evaluation is mandated by law, how it is paid for is not part of the mandate. Alleghany County has traditionally set aside \$40,000 per year in order to pay for the re-evaluation. Unfortunately I was unable to find the funds this year. Eventually this \$40,000 shortfall will have to be made up.

Volunteer Safety

This category includes Sparta-Alleghany Volunteer Fire Department, Piney Creek Volunteer Fire Department, Glade Creek Volunteer Fire Department, Laurel Springs Volunteer Fire Department, Cherry Lane Volunteer Fire Department, Alleghany County

Volunteer Rescue Squad and the volunteer Fire Commission. Funding for this group is proposed to be frozen at the FY 08-09 level. This is the only group within the County's entire budget that is not receiving a proposed cut in funding.

Primary Core Functions

This category includes the Alleghany County Public Library, Appalachian District Health Department, Smokey Mountain Center (local mental health department), Alleghany County Council on Aging, Wilkes Community College (Alleghany County Campus) and the NC Forestry Service. I have classified these entities as primary core functions for several reasons. Health department and mental health services are State mandated County functions and provide vital services to our citizens and other operations within the community. The Public Library is our County's largest literary resource. Major cuts to the Library would have a detrimental effect on our citizen's access to knowledge, art and entertainment. Alleghany Council on Aging's primary expenses provide meals and in home aid services to the elderly. They are the largest provider of these services in the County. Significant cuts to COA would have an extreme impact on the majority of services provided to Alleghany's expanding elderly population. Wilkes Community College is the only provider of secondary education in Alleghany County. Their joint efforts with the Alleghany County school system have dramatically increased educational opportunities within our County. WCC also plays a major role in continuing education programs for our new and existing employers. Any major cuts to WCC would have a significant impact on our high school, adult and employee/employer educational opportunities. The NC Forestry Service is the only free provider of forestry management planning to our community and is a valuable resource to our Fire Departments when fighting forest fires. Although these primary core functions provide invaluable services to our community, I must still propose a -5% reduction in funding for these agencies in order to balance the budget.

Secondary Functions

Funded entities in this category includes the Blue Ridge Opportunity Commission (BROC), Alleghany Arts Council, Alleghany County Chamber of Commerce, Alleghany Planning Committee, Alleghany County Health Advisory Council, Alleghany Family Resource Center, Alleghany Connections, Alleghany Wellness Center, American Red Cross, Wilkes Center for Deaf, Appalachian Senior Programs, Alleghany County Groups Homes and Channel 50/21 support. All of these programs provide valuable services to the community. Unfortunately Alleghany County's budget revenue shortfalls are forcing me to propose significant cuts to these agencies. I am proposing that these agencies be cut from County funding over a three year period. The proposed reduction schedule is as follows: FY 09-10 : -35% reduction, FY 10-11 : -35% reduction from FY 08-09 funding level, FY 11-12 : -30% reduction from FY 08-09 funding level. I chose a three year period to reduce funding for a couple of reasons. Most of these agencies do not solely depend upon Alleghany County for funding or their overall budget is relatively small. Hopefully a three year reduction plan will not force them to close their doors and allow them to find other means of support. If the economy turns for the better over this three-year period, then maybe there will be opportunity for Alleghany County to asses its ability to begin funding these programs once more. All new funding requests will be taken up by the Commissioners during the budget process.

REDUCTION SUMMARIZATION & FUND BALANCE DISCUSSION

The following table summarizes the proposed funding reductions from FY 08-09 to FY 09-10.

Category	Reduction Amount	Actual County Dollars
Layoffs	-\$122,677	-\$102,537
Salary & Benefit Reductions	-\$99,219	-\$83,936
General Cuts	-\$72,713	-\$72,713
contingency	-\$25,000	-\$25,000
Grants & Mandates (re-evaluation)	-\$40,000	-\$40,000
Primary Core Functions -5%	-\$37,043	-\$37,043
Secondary Functions -35%	-\$68,243	-\$68,243
BOE	-\$124,926	-\$124,926
Reductions	-\$589,821	-\$554,398
Insurance (no funds required)	-\$40,179	-\$40,179
Total Reductions	-\$630,000	-\$594,577

As you can see from above, it will take approximately \$554,398 in additional County funds to reinstate the reductions. (Note: The portion of sales tax mandated to the school system for capital has decreased by -\$47,505. This decrease was due to the fall in sales tax revenue. This item has not been included in any of the above numbers because the reduction is tied directly to a revenue source). As state earlier, I have proposed to use \$141,432 of County savings to balance the budget. In previous years I have always stated to the Commissioners that the Board can safely budget \$200,000 to \$300,000 of County savings to balance the budget because we usually do not spend all of our budgeted funds in a single fiscal year. For example, Alleghany County has budgeted \$741,290 to balance the FY 08-09 budget. I am projecting that the County will actually utilize \$556,653 of County savings by the year end. This is -\$184,637 less than budgeted.

I am projecting Alleghany County's fund balance (County savings) to be at 22% entering into FY 09-10. For every \$100,000 of fund balance actually used, the fund balance percentage will decrease by approximately 1%. At this point in the budget discussion, I believe there is room for the Commissioners to utilize more fund balance to re-instate some of the proposed reductions. How much more will be dictated by the Board's priorities, updated revenue projections and the upcoming decisions that will be made by the NC State Legislature.

SPECIAL FUND HIGHLIGHTS

NOTE: These funds are separate operating entities from the general fund budget. There are additional personnel and capital recommendations in the following summaries.

TRANSFER FACILITY ENTERPRISE FUND

The Alleghany County Transfer Facility FY 09-10 proposed operating budget is \$784,200. This proposal constitutes an approximate decrease of -20% (-\$195,419) under the FY 08-09 amended budget of \$979,876.

The proposed budget reflects the reduction in longevity pay and holiday pay to match reductions made to General Fund employees. Due to increased volume, it is proposed that the County grind its wood waste twice next year increasing the cost by \$12,500 to \$25,000. No other operational changes are planned at this time.

EMERGENCY 911 FUND

The FY 09-10 E911 proposed budget is \$114,411. This is a -\$2,075 (-1.8%) decrease under the FY 08-09 amended budget. This proposed budget reflects the reduction in longevity pay and holiday pay to match reductions made to General Fund Employees. The E911 system is scheduled to be replaced in September-October 2009. The proposed contract and budget amendment will be brought before the Board in July-August 2009.

TRANSPORTATION OPERATIONAL FUND

The FY 09-10 Transportation Operational Fund Budget is proposed to be \$279,685. This is a -\$87,930 (-24%) decrease under the FY 08-09 budget. This proposed budget reflects the reduction in longevity pay and holiday pay to match reductions made to General Fund Employees. The Fund will be operated as a revenue based fund relying on its own revenues to pay for expenses.

Highlights of this fund include a \$40,000 Elderly and Disabled Transportation Program grant, \$46,000 Rural General Public grant, \$4,500 Work First Transportation grant and \$8,333 in a capital grant.

The recommended capital budget for the Operational Fund is as follows:

Description	Amount
HVAC for lower floor	\$4,670
Maintenance Building Roof Replacement	\$2,780
TOTAL	\$7,450

90% of the HVAC system will be funded through grant proceeds. The remaining 10% will be funded through this operational fund. 50% of the roof replacement will be funded through grant proceeds. The remaining 50% will come from the Public Works

Department. There is an additional \$2,273 in grant funds available to purchase hand tools for the Maintenance Department.

OTHER FUNDS

This category includes other funds such as the Fairgrounds Fund, Economic Development Fund, Drug Agency Fund, Library Fund, Register of Deeds Enhancement Fund, Re-Evaluation Fund, Scattered Site Housing Fund, Soil & Water Fund, School Capital Reserve Fund and all active building funds. These Funds will be discussed during the budget process.

CLOSING

In closing, I would like to extend my appreciation to all County employees who work extremely hard to provide the necessary services that make Alleghany County a great place to live. I also extend my thanks to the Department Heads, Elected Officials and Special Appropriation representatives for their cooperation in fashioning their budget requests to the required specifications and timelines. And last – but by no means least – I would like to thank Finance and Administration employees for their tireless effort and attention to detail over the budget development process.

Respectfully submitted,

Don Adams
Alleghany County Manager